

## Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-09 ISO-00 /030 W  
-----082510 041408Z /53

R 040818Z AUG77

FM AMEMBASSY JAKARTA  
TO SECSTATE WASHDC 2911

INFO USDOC WASHDC  
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RUDTCJXAMEMBASSY LONDON 1091

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AMCONSUL MEDAN  
AMCONSUL MELBOURNE  
AMEMBASSY SINGAPORE  
AMCONSU

SURABAYA 8968  
AMCONSUL SYDNEY  
AMEMBASSY TOKYO

UNCLAS SECTION 1 OF 2 JAKARTA 10354

E.O. 11652: N/A

TAGS: ECRP, EMIN, ID

SUBJ: INDUSTRIAL OUTLOOK REPOTT: MINERALS

REF: JAKARTA A-96

1. EMBASSY'S ANNUAL MINERALS' REPORT BEING POUCHED UNDER COVER REPAIR. REPORT INCLUDES A LOOK AT HIGHLIGHTS OF PAST YEAR'S DEVELOPMENTS., A REPORT ON LEGAL FRANEWORK FOR MINING IN INDONESIA, A MINERAL BY MINERAL SURVEY, BRIEF REPORTS ON THE LARGE STATE-OWNED MINING COMPANIES AND ON THE LARGER FOREIGN INVESTORS, AND AN ASSESSMENT OF IMPORTANCE TO U.S. APPENDICES PROVIDE SELECTIVE BIBLIOGRAPHY, LIST OF CONTACTS  
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IN INDUSTRY, SPEECH GIVEN BY MINISTER OF MINES AT ASEAN-EEC MEETING, AND SCHEDULE OF EXPORT TAXES AND ROYALTIES ESTABLISHED BY GOI FOR MINERALS. REMAINDER THIS MESSAGE IS SUMMARY HIGHLIGHTS SECTION.

2. MEASURING FROM THE NADIR OF THE INDONESIAN MINERAL INDUSTRY IN 1966, THE PERFORMANCE, WHILE NOT AS GOOD AS

THE MOST OPTIMISTIC MIGHT HAVE HOPED, HAS BEEN QUITE STRONG. THE ADOPTION OF NEW ECONOMIC POLICIES ENABLED EXISTING MINES TO ACHIEVE RAPID INCREASES IN PRODUCTION CAPACITY OVER THE COURSE OF THE LAST DECADE, AND THE ENACTMENT OF THE FOREIGN CAPITAL INVESTMENT LAW AND THE NEW MINING LAW IN 1967 LED TO RENEWED, LARGE-SCALE EXPLORATION AND DEVELOPMENT. IN THE COURSE OF THE DECADE FOREIGN EXCHANGE EARNINGS FROM INDONESIA'S MINING PRODUCTS HAVE GONE FROM \$40.9 MILLION IN 1966 TO \$290 MILLION IN 1976, AND ARE EXPECTED TO REACH \$400 MILLION IN 1977.

3. EXPLORATION ACTIVITIES BY FOREIGN COMPANIES DURING THE PAST DECADE COVERED AN AREA OF 525,000 SQUARE KILOMETERS, MORE THAN 25 PERCENT OF THE TOTAL LAND AREA OF INDONESIA. NEW DISCOVERIES INCLUDED: LATERITIC NICKEL DEPOSITS ON THE ISLANDS OF GEBE AND GAG OFF IRIAN JAYA, EXTENSIVE LOW-GRADE BAUXITE DEPOSITS IN WESTERN KALIMANTAN, OFFSHORE TIN DEPOSITS IN THE PUAU TUJUH AREA NORTH OF BANGKA, EXTENSIVE LIGNITIC COAL DEPOSITS IN BANGKO AND SURROUNDING AREAS IN SOUTH SUMATRA, PORPHYRY COPPER DEPOSITS IN NORTHERN SULAWESI, AND COAL DEPOSITS IN CENTRAL SUMATRA. IN ADDITION, CERTAIN PRE-WORLD WAR II DISCOVERIES WERE REINVESTIGATED AND FOUND TO BE UNCLASSIFIED

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COMMERCIALLY EXPLOITABLE: THE ERTSBERG COPPER DEPOSIT IN IRIAN JAYA, THE LATERITIC NICKEL DEPOSITS IN THE SOROAKO AREA IN SOUTHEASTERN SULAWESI, AND ALLUVIAL TIN DEPOSITS IN SOUTH BANGKA.

4. THIS PAST YEAR WAS MARKED BY TWO KEY DEVELOPMENTS IN THE MINERALS SECTOR: (1) THE ISSUANCE ON AUGUST 23, 1976 OF PRESIDENTIAL DECREE 21 CONCERNING TAXATION AND OTHER LEVIES AGAINST NON-OIL AND NATURAL GAS MINING OPERATIONS; THIS DECREE IS THE BASIS FOR THE SO-CALLED THIRD-GENERATION OF MINING CONTRACTS; AND (2) THE COMPLETION OF THE FIRST STAGE OF INCO INDONESIA'S \$800 MILLION NICKEL PROJECT IN SOUTHEASTERN SULAWESI.

5. THE PRESIDENTIAL DECREE HAD BEEN IN NEGOTIATION WITHIN THE INDONESIAN GOVERNMENT SINCE 1972, AND WITH EXCEPTION OF SHELL'S UNIQUE PRODUCTION-SHARING COAL MINING VENTURE IN 1975, THE ABSENCE OF AN AGREED GOI POSITION PREVENTED THE NEGOTIATION OF ANY NEW MINING CONTRACTS. ON THE BASIS OF DECREE 21, THE GOI AND RIO

TINTO INDONESIA, A SUBSIDIARY OF RIO TINTO  
ZINC OF THE  
UK AND CONZINC RIO TINTO OF AUSTRALIA, HAVE NEGOTIATED  
AND, ON JUNE 13, 1977, SIGNED THE FIRST THIRD-GENERATION  
MINING CONTRACT FOR A COPPER AND BASE METAL EXPLORATION  
AND MINING VENTURE IN NORTH SULAWESI. THE RIO TINTO  
CONTRACT WILL BE THE PROTOTYPE FOR NEW MINING CONTRACTS  
FOR FOREIGN FIRMS IN INDONESIA.  
RIVES

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R 040818Z AUG 77  
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AMEMBASSY SINGAPORE  
AMCONSUL SURABAYA  
AMCONSUL SYDNEY  
AMEMBASSY TOKYO

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6. SURMOUNTING TECHNICAL DIFFICULTIES, INTERNATIONAL  
NICKEL OF INDONESIA MANAGED TO START UP THE FIRST STAGE  
OF ITS \$800 MILLION NICKEL VENTURE IN SOUTHEAST SULAWESI.  
IF ALL GOES ACCORDING TO PLAN (THE PROJECT EMPLOYS A  
RELATIVELY NEW TECHNOLOGY, AND IS STILL ENCOUNTERING  
SOME TECHNICAL SNAGS), THE INCO MINE WILL REACH AN

ANNUAL PRODUCTION LEVEL OF 16,000 TONS OF NICKEL IN  
NICKEL MATTE WITHIN A MATTER OF WEEKS, AND WHEN PHASE  
II COMES ONSTREAM IN 1978, PRODUCTION WILL RISE TO  
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45,000 TONS/YEAR OF NICKEL MATTE.

7.1976 ASLO SAW THE COMPLETION OF THE STATE-OWNED  
POMALAA FERRONICKEL PLANT IN SULAWESI, AND A RECOVERY  
IN EARNINGS FROM THE 1975 RECESSION CAUSED SLOMP  
THROUGHOUT THE MINERALS SECTOR.

8. AS FOR THE FUTRUE, AS SECRETARY GENERAL SUTARYO  
SIGIT OF THE DEPARTMENT OF MINING SAID IN HIS ADDRESS  
TO THE INDONESIAN MINING ASSOCIATION ON JUNE 14, 1977,  
"A LOT REMAINS TO BE DONE IN GEOLOGICAL MAPPING AND  
MINERAL PROSPECTING, BUT MOST PROBABLY ALL MAJOR  
SURFACE DEPOSITS AND EASILY RECOGNIZABLE MINERALIZATIONS  
IN THE ACCESSIBLE PARTS OF THE COUNTRY HAVE ALREADY  
BEEN DISCOVERED. TO USE THE POPULAR EXPRESSION, ALL OF  
THE 'EASY MINES' HAVE MOST PROBABLY BEEN FOUND.

9. "FUTURE MAJOR DISCOVERIES WILL EITHER BE LOCATED IN  
THE MORE INACCESSIBLE PARTS OF THIS ARCHIPELAGO, OR IN  
THE FORM OF DEEPER SEATED MINERALIZATION, PROBABLY  
CONCEALED UNDER VOLCANIC PRODUCTS, STRONGLY WEATHERED  
ROCK FORMATIONS OF ALL SORTS, OR THICK ALLUVIAN COVER."  
RIVES

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## Message Attributes

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